GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1604
ANSWERED ON:02.12.2005
BRIBE FOR GETTING LOAN FROM BANKS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government are aware that most of the loans are sanctioned by commercial, regional, rural and cooperative banks in the country on bribe basis as reported in the Statesman dated the November 10, 2005;

(b) if so, whether the World Bank and National Council of Applied Economic Research (NCAER) have conducted a study in this regard;

(c) the reaction of the Government in this regard: and

(d) the remedial steps taken by the Government to check such corruption?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) and (b) A news item appeared in The Statesman on 10th Nov., 2005 regarding bribe for getting ioan from banks, quoting a study by National Council of Applied Economic Research (NCAER), NCAER has reported that the Rural Financial Access Survey (RFAS) was undertaken by the World Bank and NCAER in 2003 in two large states i.e. Andhra Pradesh and Uttar Pradesh for an estimate of the pattern of access of different sources of credit by the Rural households of the two states. The report indicates that bribe paid by some applicants adds to their total borrowing cost.

(c) and (d) RBI and Government have taken several measures to prevent irregularities in the Banking Industry. Banks have been advised from time to time to strengthen the vigilance set up and introduce preventive and prohibitive measures. The functioning of vigilance system is reviewed during the course of on-site inspections. Various measures such as periodical rotation of staff within the branch and from one branch to another, prompt disciplinary action, awarding exemplary and deterrent punishment to the delinquent employees and intensive screening of the candidates at the time of recruitment are being taken. Further, as and when such irregularities come to the notice, severe action is taken against the delinquent employee(s) under relevant conduct regulations and suitable penalty is imposed.